

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2465 - Holding Period for Capital Assets (LSB 6061 HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2465 requires that the holding period used in determining eligibility for the Iowa capital gains deduction be determined in the same manner as provided for in section 1223 of the Internal Revenue Code.

Background

Currently, Section 422.7 (21), Code of Iowa, requires that property must be held for a minimum of ten years in order for the taxpayer to deduct gains from the sale of qualifying property in the determination of net income for individual income tax purposes. The proposed law change will in certain cases allow the addition of the holding period of other property or the holding period of another owner of the property to the holding period of the taxpayer in determining whether the ten-year holding period requirement for the Iowa capital gains deduction has been satisfied. The proposed law change will affect the determination of holding periods for property acquired through like-kind exchanges, property received as a gift, and property purchased with the proceeds of an involuntary conversion.

Assumptions

The audit staff of the Department of Revenue indicates that approximately four protests related to the determination of holding periods relative to the calculation of the capital gains deduction have been received over the past two years. They indicate the total impact of these protests on taxpayers' State tax liability is approximately \$100,000.

The Department's estimate does not include any estimate of the number of taxpayers paying their capital gains tax as required under present law, but do not officially protest the procedure to the Department.

Fiscal Impact

The projected impact of the holding period change contained in HF 2465 is a decrease in General Fund revenues of \$100,000 in FY 2007, and \$50,000 each year thereafter.

Source

Department of Revenue

/s/ Holly M. Lyons

March 6, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
